

GTE to implement those terms and conditions, comply with the collocation requirements contained in the Collocation and Advanced Services Order. The engagement shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the American Institute of Certified Public Accountants ("AICPA"). The attestation report shall be in substantially the form provided as Attachment B and shall be filed with the Secretary of the Commission, for the public record, no later than 180 days after the Merger Closing Date. The Commission shall have access to working papers and supporting materials of the independent auditor, as provided below in Paragraph 30g.

30. Prior to the Merger Closing Date, Bell Atlantic and GTE shall propose to the Chief of the Common Carrier Bureau an independent auditor to perform an examination engagement and issue an attestation report resulting in a positive opinion (with exceptions noted) regarding Bell Atlantic/GTE's compliance with the Commission's collocation requirements, including but not limited to the Collocation and Advanced Services Order, for the first eight full months after the Merger Closing Date. The audit required by this Paragraph shall be in lieu of any other audit of Bell Atlantic/GTE's compliance with the Commission's collocation requirements during the first 12 full months after the Merger Closing Date that otherwise would be required under these Conditions. The independent auditor shall be acceptable to the Chief of the Common Carrier Bureau and shall not have been instrumental during the past 24 months in designing substantially all of the systems and processes under review in the audit, viewed as a whole. The engagement shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the AICPA. Bell Atlantic/GTE shall engage the auditor within 15 days of the Bureau Chief's written acceptance of the proposed auditor. The independent auditor's report shall be prepared and submitted as follows:

a. Not later than 60 days after the Merger Closing Date, the independent auditor shall submit a preliminary audit program, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Commission's Audit Staff ("Audit Staff"). The preliminary audit program shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. The independent auditor shall consult with the Audit Staff and Bell Atlantic/GTE regarding changes to the preliminary audit program, but Commission approval of the requirements or changes thereto shall not be required.

b. During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with Bell Atlantic/GTE in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The independent auditor shall notify Bell Atlantic/GTE of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

c. The independent auditor shall have access to books, records, and operations of Bell Atlantic/GTE and its affiliates that are under the control of Bell Atlantic/GTE and are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify Bell Atlantic/GTE's compliance officer of any inability to obtain such access. The auditor

shall notify the Audit Staff if access is not timely provided after notification to the compliance officer.

d. The independent auditor may verify Bell Atlantic/GTE's compliance with the collocation requirements through contacts with the Commission, state commissions, or Bell Atlantic/GTE's wholesale customers, as deemed appropriate by the independent auditor.

e. Not later than 10 months after the Merger Closing Date, the independent auditor shall submit its final audit report to the Commission's Audit Staff. A copy of the report shall be publicly filed with the Secretary of the Commission.

f. The independent auditor's report shall include a discussion of the scope of the work conducted; a statement regarding Bell Atlantic/GTE's compliance or non-compliance with the Commission's collocation rules; a statement regarding the sufficiency of Bell Atlantic/GTE's methods, procedures, and internal controls for compliance with the Commission's collocation rules; and a description of any limitations imposed on the auditor in the course of its review by Bell Atlantic/GTE or other circumstances that might affect the auditor's opinion.

g. For 24 months following submission of the final audit report, the Commission and state commissions in the Bell Atlantic/GTE States shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by Bell Atlantic/GTE and the independent auditor. Copying of the working papers and supporting materials by the Commission shall be allowed but shall be limited to copies required for the Commission to verify compliance with and enforce these Conditions. Any copies made by the Commission shall be returned to Bell Atlantic/GTE by the Commission. The Commission's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures. Prior to obtaining access to the working papers and supporting materials for review, state commissions shall enter into a protective agreement with the Chief of the Common Carrier Bureau and Bell Atlantic/GTE under which the state commission's review, including any notes, shall be kept confidential.

31. Bell Atlantic/GTE will, for 36 months after the Merger Closing Date, waive, credit or refund to telecommunications carriers 100 percent of the total nonrecurring collocation costs for qualifying collocation projects if Bell Atlantic/GTE misses the collocation due date by more than 60 calendar days unless Bell Atlantic/GTE can demonstrate that the missed due date was solely caused by equipment vendor delay beyond Bell Atlantic/GTE control.

a. The collocation business rules in Attachments A-2a and A-2b will be used for purposes of this Paragraph. The rules apply to all requests for physical, virtual, adjacent structure, and cageless collocation in a LATA where the requesting telecommunications carrier has submitted no more than 5 collocation requests to Bell Atlantic/GTE in a LATA within a 30-day period that includes the date of the request. Requests in excess of 5 collocation arrangements per LATA will be included when the requesting telecommunications carrier meets with Bell Atlantic/GTE in advance of its submission of the requests and negotiates a mutually

agreeable deployment schedule. If no such agreement is reached, this condition shall apply to the first 5 requests received from the telecommunications carrier for the LATA during the 30-day period.

b. Unless otherwise mutually agreed, due dates for collocation requests will be established by Bell Atlantic/GTE, in compliance with the standard collocation intervals included in the approved tariff or relevant interconnection agreement existing as of the Merger Closing Date, whichever governs the provision of collocation in the relevant state. Due dates may be extended when mutually agreed to by Bell Atlantic/GTE and the telecommunications carrier, or by Acts of God or force majeure events or when such carrier fails to complete work items for which the carrier is responsible in the allotted time frame. The extended due date will be calculated by adding to the original due date the number of calendar days that Bell Atlantic/GTE and the telecommunications carrier agree were attributable to Acts of God or force majeure events or that the telecommunications carrier was late in performing said work items. Work items include, but are not limited to, the telecommunications carrier return to Bell Atlantic/GTE of corrected and complete floor plan drawings and placement of required components(s) by such carrier or its vendor. If Bell Atlantic/GTE and the carrier cannot agree on the extended due date, this dispute will be submitted to the Chief of the Common Carrier Bureau for resolution.

c. A due date is considered met when Bell Atlantic/GTE turns the space over to the telecommunications carrier (for physical collocation), completes installation of virtually collocated equipment (or provides notification that the space is ready for installation where the carrier provides the virtually collocated equipment), or, in the case of adjacent structure collocation and cageless collocation where the carrier provides its own bays, when Bell Atlantic/GTE provides the requested interconnection and power cabling to the collocation space.

IX. Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements

32. Out-of-Region Agreements. Bell Atlantic/GTE shall make available to telecommunications carriers in the Bell Atlantic/GTE Service Area any service arrangements that an incumbent LEC (not a Bell Atlantic/GTE incumbent LEC) develops for a Bell Atlantic/GTE affiliate, at the request of the Bell Atlantic/GTE affiliate, where the Bell Atlantic/GTE affiliate operates as a new local telecommunications carrier. Specifically, if such a Bell Atlantic/GTE affiliate makes a specific request for and obtains any interconnection arrangement or UNE from an incumbent LEC that had not previously been made available to any other telecommunications carrier by that incumbent LEC after the Merger Closing Date, then Bell Atlantic/GTE's incumbent LECs shall make available to requesting telecommunications carriers in the Bell Atlantic/GTE Service Area, through good-faith negotiation, the same interconnection arrangement or UNE on the same terms (exclusive of price and performance measures). Bell Atlantic/GTE shall not be obligated to provide pursuant to this condition any interconnection arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made. Disputes regarding the availability of an interconnection arrangement or UNE shall be resolved pursuant to negotiation between the parties or by the

relevant state commission under 47 U.S.C. § 252 to the extent applicable. The price(s) for such interconnection arrangement or UNE shall be negotiated on a state-specific basis and, if such negotiations do not result in agreement, Bell Atlantic/GTE's incumbent LEC or the requesting telecommunications carrier shall submit the pricing dispute(s), exclusive of the related terms and conditions required to be provided under this Paragraph, to the applicable state commission for resolution under 47 U.S.C. § 252 to the extent applicable. Such agreements will be limited to telecommunications services, as defined in 47 U.S.C. § 3(46) and may reflect differences caused by state regulatory requirements, product definitions, network equipment, facilities, and provisioning, and collective bargaining agreements. To assist telecommunications carriers in exercising the options made available by this Paragraph, any Bell Atlantic/GTE out-of-region local exchange affiliate shall post on its Internet website all interconnection agreements entered into with unaffiliated incumbent LECs.

33. In-Region Agreements. Subject to the Conditions specified in this Paragraph, Bell Atlantic/GTE shall make available to any requesting telecommunications carrier in the Bell Atlantic/GTE Service Area within any Bell Atlantic/GTE State any interconnection arrangement or UNE in the Bell Atlantic/GTE Service Area within any other Bell Atlantic/GTE State that (1) was voluntarily negotiated with a telecommunications carrier, pursuant to 47 U.S.C. § 252(a)(1), by a Bell Atlantic/GTE incumbent LEC after the Merger Closing Date and (2) has been made available under an agreement to which Bell Atlantic/GTE is a party after the Merger Closing Date. Terms, conditions, and prices contained in tariffs cited in Bell Atlantic/GTE's interconnection agreements shall not be considered negotiated provisions. Exclusive of price and performance measures and subject to the Conditions specified in this Paragraph, qualifying interconnection arrangements or UNEs shall be made available to the same extent and under the same rules that would apply to a request under 47 U.S.C. § 252(i), provided that (1) the interconnection arrangements or UNEs shall not be available beyond the last date that they are available in the underlying agreement and that the requesting telecommunications carrier accepts all reasonably related terms and conditions as determined in part by the nature of the corresponding compromises between the parties to the underlying interconnection agreement and (2) interconnection arrangements or UNEs voluntarily negotiated or agreed to by a Bell Atlantic or GTE incumbent LEC prior to the Merger Closing Date cannot be extended throughout the Bell Atlantic/GTE Service Areas unless voluntarily agreed to by Bell Atlantic/GTE. The price(s) for such interconnection arrangement or UNE shall be established on a state-specific basis pursuant to 47 U.S.C. § 252 to the extent applicable. Provided, however, that pending the resolution of any negotiations, arbitrations, or cost proceedings regarding state-specific pricing, where a specific price or prices for the interconnection arrangement or UNE is not available in that state, Bell Atlantic/GTE shall offer to enter into an agreement with the requesting telecommunications carrier whereby the requesting telecommunications carrier will pay, on an interim basis and subject to true-up, the same prices established for the interconnection arrangement or UNE in the negotiated agreement. This Paragraph shall not impose any obligation on Bell Atlantic/GTE to make available to a requesting telecommunications carrier any terms for interconnection arrangements or UNEs that incorporate a determination reached in an arbitration conducted in the relevant state under 47 U.S.C. § 252, or the results of negotiations with a state commission or telecommunications carrier outside of the negotiation procedures of 47 U.S.C. § 252(a)(1). Bell Atlantic/GTE shall not be obligated to provide pursuant to this Paragraph any interconnection

arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made. Such agreements will be limited to telecommunications services, as defined in 47 U.S.C. § 3(46) and may reflect differences caused by state regulatory requirements, product definitions, network equipment, facilities, and provisioning, and collective bargaining agreements. Disputes regarding the availability of an interconnection arrangement or UNE shall be resolved pursuant to negotiation between the parties or by the relevant state commission under 47 U.S.C. § 252 to the extent applicable.

34. Subject to the Conditions specified in this Paragraph, Bell Atlantic/GTE shall make available: (1) in the Bell Atlantic Service Area to any requesting telecommunications carrier any interconnection arrangement or UNE that was voluntarily negotiated by a Bell Atlantic incumbent LEC with a telecommunications carrier, pursuant to 47 U.S.C. § 252(a)(1), prior to the Merger Closing Date and (2) in the GTE Service Area to any requesting telecommunications carrier any interconnection arrangement or UNE that was voluntarily negotiated by a GTE incumbent LEC with a telecommunications carrier, pursuant to 47 U.S.C. § 252(a)(1), prior to the Merger Closing Date, provided that no interconnection arrangement or UNE from an agreement negotiated prior the Merger Closing Date in the Bell Atlantic Area can be extended into the GTE Service Area and vice versa. Terms, conditions, and prices contained in tariffs cited in Bell Atlantic/GTE's interconnection agreements shall not be considered negotiated provisions. Exclusive of price and performance measures and subject to the Conditions specified in this Paragraph, qualifying interconnection arrangements or UNEs shall be made available to the same extent and under the same rules that would apply to a request under 47 U.S.C. § 252(i), provided that the interconnection arrangements or UNEs shall not be available beyond the last date that they are available in the underlying agreement and that the requesting telecommunications carrier accepts all reasonably related terms and conditions as determined in part by the nature of the corresponding compromises between the parties to the underlying interconnection agreement. The price(s) for such interconnection arrangement or UNE shall be established on a state-specific basis pursuant to 47 U.S.C. § 252 to the extent applicable. Provided, however, that pending the resolution of any negotiations, arbitrations, or cost proceedings regarding state-specific pricing, where a specific price or prices for the interconnection arrangement or UNE is not available in that state, Bell Atlantic/GTE shall offer to enter into an agreement with the requesting telecommunications carrier whereby the requesting telecommunications carrier will pay, on an interim basis and subject to true-up, the same prices established for the interconnection arrangement or UNE in the negotiated agreement. This Paragraph shall not impose any obligation on Bell Atlantic/GTE to make available to a requesting telecommunications carrier any terms for interconnection arrangements or UNEs that incorporate a determination reached in an arbitration conducted in the relevant state under 47 U.S.C. § 252, or the results of negotiations with a state commission or telecommunications carrier outside of the negotiation procedures of 47 U.S.C. § 252(a)(1). Bell Atlantic/GTE shall not be obligated to provide pursuant to this Paragraph any interconnection arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made. Such agreements will be limited to telecommunications services, as defined in 47 U.S.C. § 3(46) and may reflect differences caused by state regulatory requirements, product definitions,

network equipment, facilities, and provisioning, and collective bargaining agreements. Disputes regarding the availability of an interconnection arrangement or UNE shall be resolved pursuant to negotiation between the parties or by the relevant state commission under 47 U.S.C. § 252 to the extent applicable.

X. Multi-State Interconnection and Resale Agreements

35. Upon the request of a telecommunications carrier, Bell Atlantic/GTE shall negotiate in good faith an interconnection and/or resale agreement covering the provision of interconnection arrangements, services, and/or UNEs in the Bell Atlantic/GTE Service Area in two or more Bell Atlantic/GTE States. Such a multi-state generic agreement may include a separate contract with each Bell Atlantic/GTE incumbent LEC. No later than 60 days after the Merger Closing Date, Bell Atlantic/GTE shall make available to any requesting telecommunications carrier generic interconnection and resale terms and conditions covering the Bell Atlantic/GTE Service Area in all Bell Atlantic/GTE States. However, such agreements will be limited to telecommunications services, as defined in 47 U.S.C. § 3(46) and may reflect differences caused by state regulatory requirements, product definitions, network equipment, facilities, and provisioning, and collective bargaining agreements. Pricing under a multi-state generic agreement shall be established on a state-by-state basis and Bell Atlantic/GTE shall not be under any obligation to enter into any arrangement for a state that is not technically feasible and lawful in that state. Any agreement negotiated under this Section shall be subject to the state-specific mediation, arbitration, and approval procedures of Section 252 of the Communications Act. Approval of the agreement in one state shall not be a precondition for implementation of the agreement in another state where approval has been obtained.

XI. Alternative Dispute Resolution through Mediation

36. In the Bell Atlantic/GTE Service Area within each Bell Atlantic/GTE State, Bell Atlantic/GTE shall implement, subject to the appropriate state commission's approval, an alternative dispute resolution ("ADR") mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes related to existing and effective interconnection agreements, as described in Attachment C. Participation in the ADR mediation process established by this Section is voluntary for both telecommunications carriers and state commissions. The process is not intended and shall not be used as a substitute for resolving disputes regarding the negotiation of interconnection agreements under Sections 251 and 252 of the Communications Act, or for resolving any disputes under Section 332 of the Communications Act. The ADR mediation process shall be utilized to resolve local interconnection agreement disputes between Bell Atlantic/GTE and unaffiliated telecommunications carriers at the unaffiliated telecommunications carrier's request.

XII. Access to Cabling in Multi-Unit Properties

37. Bell Atlantic/GTE shall, subject to any required state approvals, offer to conduct a trial with one or more interested, unaffiliated CLECs within the Bell Atlantic/GTE Service Area to identify the procedures and associated costs required to provide CLECs with access to cabling

within Multi-Dwelling Unit premises ("MDUs") and multi-tenant premises housing small businesses ("MTUs"), where Bell Atlantic/GTE controls the cables. Taking into account the results of the trial, Bell Atlantic/GTE will negotiate in good faith with CLECs to develop, as an additional alternative to the Minimum Point of Entry in Paragraph 38 where the property owner(s) or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the Minimum Point of Entry, tariffs and/or interconnection agreement amendments that will facilitate single points of interconnection to cabling controlled by Bell Atlantic/GTE in MDUs/MTUs on a going-forward basis.

38. In the Bell Atlantic/GTE Service Area, Bell Atlantic/GTE shall, subject to any required state approvals and consistent with any relevant state laws or regulations, install new cables in a manner that will provide telecommunications carriers a single point of interconnection, as provided in this Paragraph. Bell Atlantic/GTE shall only be required pursuant to this Paragraph to provide a single point of interconnection where the property owner(s) or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the single point of interconnection. Nothing in this Paragraph shall restrict property owners' rights to control access to their buildings or property. Access from the public right-of-way to the single point of interconnection is the responsibility of each telecommunications carrier. The provisions of this Paragraph apply only to cable installations for which engineering work is begun after the Merger Closing Date.

a. When Bell Atlantic/GTE is hired to install new cables in a newly constructed or retrofitted single-building MDU or campus of garden apartment dwelling units or a newly constructed or retrofitted multi-tenant business premises that the property owner(s) or some other party(ies) will own and maintain, Bell Atlantic/GTE shall provide the property owner written notice that Bell Atlantic/GTE will, unless the property owner objects,²⁰ install and provide the new cables in a manner that will permit telecommunications carriers a single point of interconnection at a Minimum Point of Entry if the property owner(s) or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the single point of interconnection. Provided, however, that there may be multiple points of entry where the landlord requests diversity.

b. Where Bell Atlantic/GTE (1) would, absent the terms of this Subparagraph, own the new cables in a newly constructed or retrofitted single-building MDU or campus of garden apartment dwelling units or a newly constructed or retrofitted multi-tenant business premises, and (2) has the right to do so without the consent of any other party, Bell Atlantic/GTE shall install and provide cables to such multi-unit properties in a manner that will permit telecommunications carriers a single point of interconnection at a Minimum Point of Entry if the property owner(s) or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the Minimum Point of Entry. Provided, however, that there may be multiple points of entry where the property owner or other party requests diversity.

²⁰ It would be inconsistent with the good faith implementation of this Condition for Bell Atlantic/GTE to encourage or solicit the property owner's objection.

c. Where Bell Atlantic/GTE (1) would, absent the terms of this Subparagraph, own the new cables in a newly constructed or retrofitted single-building MDU or campus of garden apartment dwelling units or a newly constructed or retrofitted multi-tenant business premises, but (2) needs the consent of the property owner or another party to install and provide cables to such multi-unit properties in a manner that will permit telecommunications carriers a single point of interconnection at a minimum point of entry, Bell Atlantic/GTE shall provide written notice to the property owner or other party that Bell Atlantic/GTE will, unless the other party objects,²¹ install and provide new cables to such multi-unit properties in a manner that will permit telecommunications carriers a single point of interconnection at a Minimum Point of Entry if the property owner(s) or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the Minimum Point of Entry. Provided, however, that there may be multiple points of entry where the property owner or other party requests diversity.

FOSTERING OUT-OF-REGION COMPETITION

XIII. Out-of-Territory Competitive Entry

39. Bell Atlantic/GTE will spend a total of at least \$500 million (the “Out-of-Region Expenditure”) by the end of the 36th month after the Merger Closing Date to provide services, including resale, that compete with traditional telephone services offered by incumbent local exchange carriers or to provide Advanced Services to the mass market (“Competitive Local Service”) outside the Bell Atlantic and GTE Service Areas (“Out-of-Region Markets”).

40. Subject to Paragraph 41, (1) at least 50 percent of the Out-of-Region Expenditure shall be used to construct, acquire, lease, use, obtain, or provide facilities, operating support systems, or equipment that are used to serve customers in Out-of-Region Markets (“Facilities Expenditure”) and (2) the remaining Out-of-Region Expenditure may be used to acquire customers for Competitive Local Service in those Out-of-Region Markets (“Customer Acquisition Expenditure”).

41. To count toward the Out-of-Region Expenditure, amounts included in the Facilities Expenditure must be spent in conjunction with: (1) the provision of Competitive Local Service; (2) the provision of other telecommunications services, or information services, that are offered jointly with Competitive Local Service; or (3) investments in, or contributions to, ventures to promote Competitive Local Service activity in Out-of-Region Markets by those ventures.

42. At the end of the 36th month after the Merger Closing Date: (1) if the Out-of-Region Expenditure is less than \$500 million, then Bell Atlantic/GTE shall pay to the United

²¹ It would be inconsistent with the good faith implementation of this Condition for Bell Atlantic/GTE to encourage or solicit the property owner's objection.

States Treasury an amount equal to 150 percent of the difference between the Out-of-Region Expenditure and \$500 million; or (2) if the Out-of-Region Expenditure equals or exceeds \$500 million but the Facilities Expenditure is less than \$250 million, the Bell Atlantic/GTE shall pay to the United States Treasury an amount equal to 150 percent of the difference between the Facilities Expenditures and \$250 million.

43. Notwithstanding the foregoing, Bell Atlantic/GTE shall be deemed to have satisfied the commitments in this Section if it has sold by the end of the 36th month after the Merger Closing Date at least 250,000 customer lines that are used to provide Competitive Local Service in Out-of-Region Markets.

IMPROVING RESIDENTIAL PHONE SERVICE

XIV. InterLATA Services Pricing

44. In the Bell Atlantic States (including Virginia and Pennsylvania), Bell Atlantic/GTE shall not institute mandatory, minimum monthly or flat-rate charges on interLATA calls. Specifically, subject to any applicable state regulatory requirements, Bell Atlantic/GTE and its affiliates in the Bell Atlantic States shall not charge wireline residential consumers a minimum monthly or minimum flat rate charge on interLATA long distance service similar to the charge that is currently assessed by some interexchange carriers.

a. In the Bell Atlantic States, Bell Atlantic/GTE and its affiliates shall not charge a minimum monthly or minimum flat rate charge (as described in this Paragraph) on interLATA services provided to any in-region or out-of-region wireline residential customer within the United States.

b. This Section shall become effective on the first day after the Merger Closing Date. In each of the Bell Atlantic States, Bell Atlantic/GTE's obligations under this Section shall end 36 months after Bell Atlantic is authorized to provide interLATA services pursuant to 47 U.S.C. §271(d)(3).

c. In the GTE States (excluding Virginia and Pennsylvania), Bell Atlantic/GTE shall be allowed to charge mandatory, minimum monthly or flat-rate charges on interLATA calls until such time as AT&T Corp. and its affiliates cease to apply such charges.

d. This Section shall not prohibit Bell Atlantic/GTE or any of its affiliates from passing through to its customers any fees, charges, or taxes (including taxes on Bell Atlantic/GTE's own charges) imposed or authorized by a federal, state, or other governmental entity and imposed on Bell Atlantic/GTE or any of its affiliates as a result of its provision of interLATA services to its customer. Nor shall this Section prohibit Bell Atlantic/GTE from offering customers an optional, voluntary interLATA services pricing plan that includes a minimum monthly or minimum flat-rate charge, or a pre-paid calling card.

XV. Enhanced Lifeline Plans

45. Not later than 30 days after the Merger Closing Date, Bell Atlantic/GTE shall offer by letter to the appropriate state commission in the Bell Atlantic and GTE States to file a tariff for an enhanced Lifeline plan in the Bell Atlantic/GTE Service Area within that state. Bell Atlantic/GTE may fulfill this requirement in a state by either (i) proposing a new, stand-alone Lifeline plan that meets the requirements of this Paragraph, (ii) proposing to provide additional discounts and/or other enhancements to an existing Lifeline plan in a state which, when combined with the Lifeline benefits provided by the existing plan, meet the requirements of this Paragraph, or (iii) certifying that the existing Lifeline plan (or plans) meets the requirements of this Paragraph. No state shall be required to accept the enhanced Lifeline plan that will be offered by Bell Atlantic/GTE. Copies of Bell Atlantic/GTE's written offers shall be filed with the Secretary of the Commission. Consistent with applicable state law, the terms and conditions offered by Bell Atlantic/GTE shall be comparable to the terms and conditions of the Ohio Universal Service Assistance ("USA") Lifeline plan set forth in Ameritech Ohio's Alternative Regulation Plan, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts, and eligible services. See Opinion and Order, Application of the Ohio Bell Tel. Co. for Approval of an Alternative Form of Regulation, Case No. 93-487-TP-ALT, 1994 Ohio PUC LEXIS 956 (Nov. 23, 1994), as modified to be consistent with the 1996 Telecommunications Reform Act and other modifications and interpretations by the Public Utilities Commission of Ohio, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts, and eligible services. Specifically, with respect to discounts, Bell Atlantic/GTE will provide a discount equal to the price of basic residential measured rate service (i.e., access to the network not including any local usage) in each state; provided, however, that the maximum discount to be provided (including all applicable Federal, state and Company contributions) shall not exceed \$10.20 per month. For example, if the current Lifeline discount in a state is \$8.00 per month, Bell Atlantic/GTE will increase that discount by a maximum of \$2.20 per month for those Lifeline customers that meet all of the qualifications in this Paragraph. This Paragraph is not intended to supersede or eliminate state or federal funding for existing Lifeline programs. Where, for a particular state, Bell Atlantic/GTE does not offer a basic measured rate service that does not include any local usage, to determine the amount of the discount, Bell Atlantic/GTE will determine an estimated price for such a service as a percentage (based on underlying costs) of the most basic service that is offered. If the state commission indicates its acceptance of Bell Atlantic/GTE's offer within 12 months of Bell Atlantic/GTE's written offer, Bell Atlantic/GTE shall file a tariff to implement its offer within 60 days of such acceptance. Bell Atlantic/GTE shall offer to provide such enhanced Lifeline plans with the following operational characteristics:

a. Past-Due Bills. Enhanced Lifeline plan customers with past-due bills for local service charges will be offered payment arrangements for such local service charges with an initial payment not to exceed \$25.00 before service is installed and with the balance to be paid in 6 equal monthly payments. Enhanced Lifeline plan customers with past-due bills for toll service charges will be required to have toll restriction service until such past-due toll service charges have been paid.

b. Deposits. New enhanced Lifeline plan customers will not be required to pay a deposit to obtain local service. Bell Atlantic/GTE may request a deposit for toll service unless the customer elects toll restriction service.

c. Verification of Eligibility. Bell Atlantic/GTE will provide prospective enhanced Lifeline plan customers with a written form²² that will permit the customer to self-verify eligibility through participation in one or more of the qualifying programs. Bell Atlantic/GTE will have the right to audit any such self-verifications and to refuse enhanced Lifeline service to any customer that is not a current participant in one of the eligible programs. Bell Atlantic/GTE will provide quantities of such written forms to state agencies administering qualifying programs so that these agencies, if they choose, can make these forms available to their clients.

d. On-Line Verification of Eligibility. Bell Atlantic/GTE will negotiate in good faith with appropriate state agencies administering qualifying programs to acquire on-line access to the agencies' electronic databases for the purpose of accessing the information necessary to verify a customer's participation in an eligible program. Where such on-line access can be negotiated on reasonable terms and conditions that permit Bell Atlantic/GTE to access such information efficiently, Bell Atlantic/GTE will provide on-line verification of eligibility for a customer claiming (during a discussion with a Bell Atlantic/GTE service representative) to be a current participant in one of the eligible programs.

e. Publicity. Bell Atlantic/GTE will agree to spend no less than an annual promotional budget to make potential customers aware of the enhanced Lifeline plan or other programs that benefit low income consumers. The annual promotional budget for each state (shown in Attachment D) is calculated to be proportional (based on the relative number of residence access lines that Bell Atlantic/GTE has in service in each state) to the \$122,000 annual promotional budget established as part of the USA Lifeline Plan in Ohio.

f. Toll-Free Number for Lifeline Inquiries. Bell Atlantic/GTE will provide a toll-free telephone number (e.g., an 800 number) for current and potential enhanced Lifeline plan customers to call for subscribing to, or otherwise requesting information or assistance about, the enhanced Lifeline plan.²³

g. Toll-Free Fax Line for Receiving Lifeline Documentation. Bell Atlantic/GTE will provide a toll-free fax line for current and potential enhanced Lifeline plan customers to submit documentation associated with the enhanced Lifeline plan.

h. Lifeline Message on Voice Response Units ("VRUs"). Where Bell Atlantic/GTE utilizes a VRU to answer customer calls into a service center, Bell Atlantic/GTE

²² These forms will be provided in English and such other languages as are prevalent in the applicable area served by Bell Atlantic/GTE.

²³ Bell Atlantic/GTE will endeavor to respond to inquiries made in non-English languages which are prevalent among residents in the areas served by Bell Atlantic/GTE.

will, where it is technically possible to do so, include information about the enhanced Lifeline plan on the VRU menu after the customer indicates an interest in obtaining new service.

i. Upgrading Current Lifeline Customers. Where a state that already has a Lifeline plan determines to offer the enhanced Lifeline plan described in this Paragraph, and where the enhanced Lifeline plan offers a larger discount and in all other respects no worse terms and conditions to an existing Lifeline customer, Bell Atlantic/GTE shall switch qualifying customers (i.e., customers who have provided Bell Atlantic/GTE with sufficient verification that they participate in a qualifying program) to the enhanced Lifeline plan within 180 days of implementing the enhanced Lifeline plan.

j. Timing. The obligations contained in the above Subparagraphs shall not take effect until and unless the Enhanced Lifeline tariffs are accepted and approved by a state commission.

XVI. Additional Service Quality Reporting

46. Beginning no later than 180 days after the Merger Closing Date for the Bell Atlantic/GTE Service Area in all Bell Atlantic/GTE States, Bell Atlantic/GTE shall file with the Reporting Management Staff of the Commission for the public record, on a quarterly (i.e., January-March, April-June, etc.) basis, state-by-state service quality reports in accordance with the retail service quality reporting recommendations of the NARUC Technology Policy Subgroup "Service Quality White Paper" adopted November 11, 1998. Answer time performance may be reported on a multi-state basis in accordance with the consolidated handling of some calls by Bell Atlantic/GTE call centers. Each such quarterly report shall be filed no later than 50 days after the end of the quarter covered by the report. The first report filed for each state shall cover the most recent quarter that ended at least 50 days prior to the date the report is due. Categories of reporting for retail services include installation and maintenance, switch outages, transmission facility outages, service quality-related complaints, and answer time performance. Reports shall be filed for a period of 36 months following the date of Bell Atlantic/GTE's first report for that state. A copy of each report for a state shall be included on a Bell Atlantic/GTE Internet website or provided to the relevant state commission.

47. Bell Atlantic/GTE shall report on a quarterly basis ARMIS local service quality data required by the Commission separately for each of its operating companies. Bell Atlantic/GTE shall provide service quality data in accordance with Table 1 of ARMIS Report No. 43-05 on a quarterly basis. The service quality data required by this Paragraph shall be included on a Bell Atlantic/GTE Internet website or made available to state commissions in the Bell Atlantic/GTE States.

XVII. NRIC Participation

48. Bell Atlantic/GTE shall continue to participate in the Network Reliability and Interoperability Council ("NRIC"), or a successor organization, if any.

ENSURING COMPLIANCE WITH AND ENFORCEMENT OF THESE CONDITIONS

XVIII. Compliance Program

49. Bell Atlantic/GTE shall establish a Compliance Program as follows:

a. Bell Atlantic/GTE shall appoint a senior corporate officer to oversee Bell Atlantic/GTE's implementation of, and compliance with, these Conditions; to monitor Bell Atlantic/GTE's compliance program and progress toward meeting the deadlines specified herein; to provide periodic reports regarding Bell Atlantic/GTE's compliance as required by these Conditions; to ensure that payments due under these Conditions are timely made; and to consult with the Chief of the Common Carrier Bureau and other appropriate individuals as the Chief deems necessary on an ongoing basis regarding Bell Atlantic/GTE's compliance with these Conditions. The corporate compliance officer shall provide copies of all notices Bell Atlantic/GTE provides to the Commission or a state commission to the independent auditor required under Paragraph 50 and shall consult with the independent auditor regarding Bell Atlantic/GTE's progress in meeting the deadlines and milestones specified in these Conditions. The corporate compliance officer may be the same corporate officer with responsibility for Bell Atlantic/GTE's compliance with Section 272 obligations. The audit committee of Bell Atlantic/GTE's Board of Directors shall oversee the corporate compliance officer's fulfillment of these responsibilities. The requirements of this Subparagraph shall remain in effect until all other Conditions have expired.

b. Not later than 60 days after the Merger Closing Date, Bell Atlantic/GTE shall submit to the Common Carrier Bureau's Audit Staff ("Audit Staff") for review and comment a plan for compliance with these Conditions. The compliance plan shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. A letter providing notice of the filing shall be filed the same day with the Secretary of the Commission for the public record.

c. Following the Merger Closing Date, Bell Atlantic/GTE shall submit to the Audit Staff and file for the public record (except for materials for which confidential treatment is requested) an annual compliance report detailing Bell Atlantic/GTE's compliance with these Conditions during the preceding calendar year. This annual compliance report shall be submitted no later than March 15 (or the first business day thereafter) of the calendar year following the year covered by the report. A report shall be filed for each calendar year in which Bell Atlantic/GTE is subject to obligations under other Sections of these Conditions. The annual compliance report shall address Bell Atlantic/GTE's compliance with these Conditions and the

sufficiency of Bell Atlantic/GTE's internal controls for complying, shall include a discussion of the efficiencies realized as a result of the merger, and shall be prepared in a format substantially similar, in relevant respects, to the format of the independent auditor's section of the audit report described in Subparagraph 50f, below.

XIX. Independent Auditor

50. Bell Atlantic/GTE shall, at its own expense, annually engage an independent auditor to conduct an examination engagement resulting in a positive opinion (with exceptions noted) regarding Bell Atlantic/GTE's compliance with all these Conditions and the sufficiency of Bell Atlantic/GTE's internal controls designed to ensure compliance with such Conditions, except for compliance with the Collocation Compliance requirements of Section VIII and as noted in Paragraph 51, below. Bell Atlantic and GTE shall jointly engage an independent auditor for this purpose prior to the Merger Closing Date. The engagement shall be supervised by persons licensed to provide public accounting services and shall be conducted in accordance with the relevant standards of the AICPA. The independent auditor shall be acceptable to the Chief of the Common Carrier Bureau and shall not have been instrumental during the past 24 months in designing all or substantially all of the systems and processes under review in the audit, viewed as a whole. An independent auditor's report shall be filed for each calendar year in which Bell Atlantic/GTE is subject to obligations under other Sections of these Conditions, provided that no report shall be due if that report would cover a portion of a calendar year that is less than 60 days. In that event, the period of less than 60 days shall be audited in the report covering the subsequent calendar year, if any. The independent auditor's report (which may consist of multiple reports) shall be prepared and submitted as follows.

a. Not later than 90 days after the Merger Closing Date, the independent auditor shall submit a preliminary audit program, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Audit Staff. The preliminary audit program shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. The independent auditor shall consult with the Common Carrier Bureau's Audit Staff and Bell Atlantic/GTE regarding changes to the preliminary audit program, but approval by the Audit Staff shall not be required.

b. During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with Bell Atlantic/GTE in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The independent auditor shall notify Bell Atlantic/GTE of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

c. The independent auditor shall have access to books, records, and operations of Bell Atlantic/GTE and its affiliates that are under the control of Bell Atlantic/GTE and are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify Bell Atlantic/GTE's compliance officer of any inability to obtain such access. The auditor

may notify the Audit Staff if access is not timely provided after notification to the compliance officer.

d. The independent auditor may verify Bell Atlantic/GTE's compliance with these Conditions through contacts with the Commission, state commissions, or Bell Atlantic/GTE's wholesale customers, as appropriate.²⁴

e. The independent auditor may consult with Bell Atlantic/GTE's corporate compliance officer concerning matters that arise during the course of the year regarding these Conditions. If necessary after such consultation, the independent auditor may notify the Audit Staff of these matters. No later than September 1 (or the first business day thereafter) of the year following the calendar year covered by the audit, the independent auditor shall submit its final audit report for the preceding year to the Audit Staff. The independent auditor's report shall be made publicly available.

f. The independent auditor's report(s) shall include a discussion of the scope of the work conducted; a statement regarding Bell Atlantic/GTE's compliance or non-compliance with these Conditions; a statement regarding the sufficiency of Bell Atlantic/GTE's internal controls for complying with these Conditions; a statement regarding the accuracy of Bell Atlantic/GTE's annual compliance report for the year covered by the audit; a statement regarding the timeliness and accuracy of the notices provided to the Commission or its staff pursuant to specific notification requirements of these Conditions; a statement regarding the accuracy and completeness of the performance data provided to telecommunications carriers and regulators under these Conditions; and a description of any limitations imposed on the auditor in the course of its review by Bell Atlantic/GTE or other circumstances that might affect the auditor's opinion.

g. For 24 months following submission of the final audit report, the Commission and state commissions in the Bell Atlantic/GTE States shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by Bell Atlantic/GTE and the independent auditor. Copying of the working papers and supporting materials by the Common Carrier Bureau shall be allowed but shall be limited to copies required to verify compliance with and enforce these Conditions. Any copies made by the Common Carrier Bureau shall be returned to Bell Atlantic/GTE by the Common Carrier Bureau. The Common Carrier Bureau's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures. Prior to obtaining access to the working papers and supporting materials, state commissions shall enter into a protective agreement with the Chief of the Common Carrier Bureau and Bell Atlantic/GTE under which the state commission's review, including any notes, shall be kept confidential.

²⁴ The term "wholesale customers" includes, but is not limited to, telecommunications carriers that purchase interconnection, services or unbundled elements under tariffs, interconnection agreements or any other means for use in the telecommunications services offered by such telecommunications carriers.

h. Not later than 60 days following submission of the final audit report, Bell Atlantic/GTE and the Audit Staff shall meet and confer regarding changes to the detailed audit program for the subsequent year's audit.

51. Bell Atlantic/GTE shall, at its own expense and under the same retention timetable set out in Paragraph 50, annually engage an independent auditor to perform an agreed-upon procedures engagement regarding compliance with the separate Advanced Services affiliate requirements of Section I of these Conditions. The independent auditor shall be acceptable to the Chief of the Common Carrier Bureau and shall not have been instrumental during the preceding 24 months in designing all or substantially all of the systems and processes under review in the audit, viewed as a whole. The independent audit shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the AICPA. For purposes of the engagement required by this Subparagraph, the Commission and Bell Atlantic/GTE shall be the only specified users; the Chief of the Common Carrier Bureau and Bell Atlantic/GTE must both consent to the audit methods and procedures to be used; and the independent auditor must accept those methods and procedures. In the event such mutual consent cannot be obtained, an independent third-party panel of auditors will be selected by Bell Atlantic/GTE and the Chief of the Common Carrier Bureau and paid for by Bell Atlantic/GTE to arbitrate any dispute. An independent auditor's report shall be filed for each calendar year in which Bell Atlantic/GTE is subject to separate affiliate obligations under Section I, provided that no report shall be due if that report would cover a portion of a calendar year that is less than 60 days. In that event, the period of less than 60 days shall be audited in the report covering the subsequent calendar year, if any. The independent auditor's report shall be prepared and submitted as described in Subparagraphs 50b-h, above, provided that Bell Atlantic/GTE and the Chief of the Common Carrier Bureau, working with the independent auditor selected by Bell Atlantic/GTE, shall make good-faith efforts to determine the procedures to be used in the engagement no later than 90 days after the Merger Closing Date. In determining the procedures to be used, Bell Atlantic/GTE and the Chief of the Common Carrier Bureau shall give due consideration to the procedures established for biennial audits under 47 U.S.C. § 272(d).

XX. Enforcement

52. The specific enforcement mechanisms established by these Conditions do not abrogate, supersede, limit, or otherwise replace the Commission's powers under the Communications Act. Performance or non-performance of these Conditions by Bell Atlantic/GTE does not in itself constitute compliance or non-compliance with any federal, state, or local law or regulation, except Bell Atlantic/GTE's obligation to perform these Conditions. The payments for non-performance specifically required by these Conditions, to which Bell Atlantic/GTE has voluntarily agreed, are payments in the public interest and are not penalties, forfeitures, or fines.

53. If the Chief of the Common Carrier Bureau makes a determination that Bell Atlantic/GTE has during the effective period of a Condition failed to comply with that Condition, the Bureau Chief may, at his or her discretion, extend the effective period of that Condition for a period that does not exceed the period during which Bell Atlantic/GTE failed to comply with the

Condition. If the failure to comply that causes the Bureau Chief to extend a Condition also has had the effect of denying a person or entity access to a facility or service or the intended benefit required to be provided under another of these Conditions, the Bureau Chief may, in his or her discretion, extend the period during which Bell Atlantic/GTE is required to comply with the other Condition for a period that does not exceed the period during which access to the facility or service or intended benefit was unavailable. Bell Atlantic/GTE may appeal the Bureau Chief's decisions made pursuant to this Paragraph to the Commission.

54. Bell Atlantic/GTE shall be strictly obligated to make the payments for non-performance specifically required by these Conditions, and no showing of a willful violation shall be necessary in order to enforce such payments. Bell Atlantic/GTE shall not be liable for any payments, however, if the Chief of the Common Carrier Bureau grants a waiver request filed by Bell Atlantic/GTE in which Bell Atlantic/GTE will have the burden of proof to demonstrate that the failure to meet a condition was caused by a force majeure event or an Act of God. If the Chief of the Common Carrier Bureau refuses to grant a waiver, Bell Atlantic/GTE may appeal that decision to the Commission.

55. Except as otherwise provided in these Conditions, Bell Atlantic/GTE shall make payments due under these Conditions within 10 business days of a determination by Bell Atlantic/GTE's compliance officer, the Chief of the Common Carrier Bureau, the Commission, or an arbitrator, that payment is due. If the Commission or a state commission has not taken an action to designate or administer a fund that is required in order for Bell Atlantic/GTE to make a payment required under these Conditions, Bell Atlantic/GTE shall make its payment into an interest bearing escrow account pending such action. If Bell Atlantic/GTE's obligation to make a payment is disputed by Bell Atlantic/GTE, Bell Atlantic/GTE shall make the disputed payment into an interest bearing escrow account within 10 business days of the date the payment was due. Within 10 business days of making a payment of a disputed amount into escrow, Bell Atlantic/GTE shall file with the Commission a verified statement of the grounds on which payment is not required. Subject to rights of rehearing and appeal, the escrowed payments (including any accrued interest) shall be returned to Bell Atlantic/GTE or paid to the appropriate fund in accordance with the final and non-appealable Commission or judicial order resolving the dispute. A decision by the Chief of the Common Carrier Bureau under this Paragraph is appealable to the Commission.

56. The Chief of the Common Carrier Bureau may in his or her discretion, upon a request and showing of good cause by Bell Atlantic/GTE, grant extensions of deadlines established by these Conditions.

57. Bell Atlantic/GTE shall not be excused from its obligations under these federal Conditions on the basis that a state commission lacks jurisdiction under state law to perform an act specified or required by these Conditions (e.g., review and approve interconnection agreement amendments, or determine if telecommunications providers violate requirements associated with the promotional discounts).

XXI. Sunset

58. Except where other termination dates are specifically established herein, all Conditions, except for the Conditions requiring Bell Atlantic/GTE to provide Advanced Services through one or more separate affiliates, as set out in Section I, shall cease to be effective and shall no longer bind Bell Atlantic/GTE in any respect 36 months after the Merger Closing Date, unless the Commission orders that a Condition or Conditions be extended for noncompliance reasons in accordance with Paragraph 53 above. Unless specifically stated otherwise, it is intended that each of the Conditions will generate 36 months of benefit. Since some of the Conditions will not become effective or operational until sometime after the Merger Closing Date, such Conditions will remain in effect (as specified) longer than 36 months after the Merger Closing Date.

XXII. Effect of Conditions

59. The various offerings and initiatives contained in these Conditions, including but not limited to OSS requirements and performance monitoring Conditions, may substantially duplicate requirements imposed in connection with the merger under state law. These Conditions shall supplement, but shall not be cumulative of, substantially related conditions imposed under state law. Where both these Conditions and conditions imposed in connection with the merger under state law grant parties similar rights against Bell Atlantic/GTE, affected parties shall not have a right to invoke the relevant terms of these Conditions in a given state if they have invoked a substantially related condition imposed on the merger under state law. This Section shall not limit the Commission's powers to enforce these Conditions or the reporting requirements of Bell Atlantic/GTE under these Conditions.

60. When considering a request by Bell Atlantic/GTE for in-region, interLATA authority under 47 U.S.C. § 271, the Commission – in view of the public interest benefits inherent in compliance with the requirements of 47 U.S.C. § 271(d)(3) – shall not consider the possible expiration of any of the above Conditions to be a factor that would render the requested authorization inconsistent with the public interest, convenience, and necessity.